Colorado
Independent
Telephone
Association, Inc.

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May 14, 1996

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William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

Re: In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996

CC Docket No. 96-98

Deasr Mr. Caton:

Enclosed herewith for filing with the Commission are the original and 16 copies of the comments of the Colorado Independent Telephone Association in the above-captioned matter.

Please acknowledge receipt hereof by affixing a notation on the duplicate copy of this letter furnished herewith for such purpose and remiting same to bearer.

Very truly yours,

Norman D. Rasmussen

Norman D. Rasmussen
Executive Vice President

cc: Janice Myles
International Transcription Services, Inc.

Received by: ____________________

Date: ____________________

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List ABCDE

3236 Hiwan Drive, Evergreen, Colorado 80439
(303) 670-1176 (Tel.)
(303) 670-1188 (Fax)

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Implementation of the Local Competition	)	
Provisions in the Telecommunications Act	)	CC Docket No. 96-98
of 1996	)	

Comments of the Colorado Independent Telephone Association

Colorado Independent Telephone Association
3236 Hiwan Drive
Evergreen, Colorado 80439

May 14, 1996

OVERVIEW

Following are the comments of the Colorado Independent Telephone Association (CITA) to the Commission's Notice of Proposed Rulemaking in CC Docket 96-98.

CITA is a not-for-profit trade Association of local exchange carriers and others involved in the telecommunications industry in the state of Colorado. There are currently 30 local exchange exchange carrier members of CITA serving Colorado. One of those carriers serves 95% of the local exchange subrscribers living in about 50% of the state's geography. The remaining 29 exchange carriers serve the remaining 5% of the subscribers scattered about the remaining 50% of the state. The average subscribers per square mile in the 50% of the state served by the 29 local exchange carriers is less than 1 5 per square mile. This fact is mentioned at the onset as it shapes much of CITA's thinking on the subject at hand We will not be commenting on all aspects of of this NPRM, but confining our remarks to those areas which have particular relevance to the provision of service under competition to low-density, high-cost rural areas.

Many of the assumptions implied in the wording of the NPRM seem based on an urban competitive environment, with vast facilities availability as well as vast and varied markets in which local exchange competition will take place and from which will come the anticipated benefits. For most of the members of this Association, nothing could be farther from reality. And so, for the preservation of universal service at a minimum, we wish to concentrate our comments on the potential negative impact on rural companies and customers if appropriate consideration is not given to "Rural America."

To the extent that "rural telecommunications economics" varies significantly from that which is operative in urban areas, investment incentives and decisions in the rural areas tend to be much more critical and unforgiving. Therefore, it is of utmost importance in fashioning rules for resale, unbunding and interconnection that the greatest amount of consideration be given to the very real differences which exist between rural and urban venues. For example, the small, rural, local exchange carriers in Colorado are, for the most part, the least-equipped of local exchange carriers to overcome the effect of rules which may prevent adequate compensation (total cost recovery) for services provided by them to competitors.

Moving on, now to some specific comments on specific NPRM paragraphs:

NPRM Paragraphs 30 - 33

As discussed in the Overview, we are deeply concerned about the possibility of "explicit national rules" which purport to provide new entrants with nation-wide, uniform, predictable rules for resale, interconnection, unbundling and all the other competitive issues included in this Docket. While this may be very comfortable, even quite logical to new local exchange entrants like AT&T, MCI, et. al, who already operate nation-wide, it quite obviously overlooks the many real differences in physical, demographic, legal, regulatory, and other facets of the operating environment existing from state to state, region to region and local incumbent to local incumbent.

We do not believe it possible to develop a single set of "explicit national standards" which would be appropriate to the reality described above. We fear that such a single set would likely be based on the urban operations of very large companies whose reality bears little resemblance to that of our members. A series of such standards might be more appropriate, but if, as we believe, a series of such standards is necessary, why not allow the state commissions, who are the subject matter experts of their local areas, operating within a set of reasoned boundaries and limits fashioned by the Commission, to deal with the local competitive environment in a knowledgeable and realistic manner.

NPRM Paragraphs 49 - 59

Again, we caution against the one-size-fits-all approach envisioned by the single set of "explicit national standards." While we are proud of the accomplishments of our small, rural exhange carriers in keeping up with technological change in building and improving their networks, distance, density and cost more than likely dictate a different network configuration than that which would develop in an urban area. Therefore, to develop standards for interconnection based on a "typical" urban area and lay that on the low-density, rural provider would likely produce some unwanted results -- including assumption of unnecessary, and probably not recoverable, costs, in the rural area in order to meet "standards."

NPRM Paragraphs 117 - 133

As mentioned in the Overview, the small, rural members of CITA are in the worst possible position to overcome a poorly conceived system of pricing for interconnection, collocation, and unbundled network elements. The incumbent local exchange providers must be allowed sufficient return from provision of these elements and services to provide the incentive to continue investing in the facilities necessary to meet future needs of both their end user customers and competitive providers. At least in the rural areas of Colorado, "rural telecommunications economics" appears to favor the sharing of one network as opposed to building parallel physical networks. Appropriate pricing of network elements will encourage efficient usage of a single network by competitors while still providing adequate financial returns and investment incentives for the network provider.

"Incremental to what" is an important concept to be clarified. Incrementalism, the supposed salvation to pricing in a competitive world, suffers from a long-standing definitional problem. The "incremental" costs of a large, urban company which enjoys economies of scale, may bear little resemblance to that of a 250-access line company in rural eastern Colorado which has no defineable "incremental costs.". Rules established regarding incremental costing must be flexible enough to encompass such variations.

Also in the pricing arena, and a subject of frequent and often unsatisfying debate is the treatment of shared and common costs. Whatever the technical approach favored, pricing must encompass such costs if providers are to recover all their costs and remain in the business of providing universal servaice and access to advanced technologies..

NPRM Paragraphs 134-143

We keep referring to our Overview concerns as we go along, and the subject of utilizing proxy costs just reinforces those concerns. Any such developed costs based on a nation-wide average would simply ignore the cost characteristics of small, rural companies, especially those in the low-density areas of the Western United States.. This is equally true, we believe, of loop as well as switching costs. Again, no single "national standard" can possible fit all incumbent carriers closely enough to provide fair treatment overall. The best proxy available is actual experience. We submit that a series of standards applied by state commissions, who are in a better position to rule on their local realities, would be better for the successful achievement of the universal service goal.

NPRM Paragraph 176

In Colorado, we called it "A duck is a duck." A residence line is a residence line. We hope and expect that the FCC will recognize that arbitrage, like reselling a residence line as a business line, is an affront to all that is fair and must be prohibited.

NPRM Paragraphs 179 - 183

Here, again, we may be faced with inappropriate national averages or proxies in determining that elusive "avoided cost" number which is used for development of wholesale rates to be charged by incumbent local providers to the new entrants. Because of a very wide variety of actual costs related to billing, marketing, collection and similar activities, particularly as they apply to small companies, we would recommend avoiding broad, nation-wide averages or proxies while calculating such costs and the recognition that some additional costs may actually be created for small companies.

NPRM Paragraphs 239 - 243

It's a wonderfully convenient, but too often inaccurate assumption, which underlies popular bill and keep arrangements for handling mutual originiating and terminating traffic. That assumption hinges on an equal amount of originating as terminating traffic and equal costs between parties. There are multiple originating to terminating ratio studies which can be cited to disprove this assumption.

NPRM Paragraphs 260 & 261

We concur that the state commissions have been granted sole responsibility under the Act for determining the presence or absence of a "bona fide" request to rural companies and suggest it be left that way. A "national standard" definition is unnecessary as states are capable of working with local reallity to find equitable definitions for their areas.

NPRM Paragraph 263

If you are unable to earn on your current embedded and possibly stranded investment in the new competitive world, why would you ever want to invest more? One of the objectives of the Act was to ensure a continuing commitment to infrastructure development throughout the network. Only by a reasonable assurance of an adequate return on investments already made can incumbent local exchange providers face future investments (and obtain capital resources) with confidence. Here again, pricing rules for interconnection and unbundled elements established by the Commission must be designed to provide sufficient revenues to make those future investments attractive and profitable, particularly in areas where duplicate investment is economically unreasonable.

FINALLY, AN ENDORSEMENT

We have in hand the comments of the Western Alliance, of which many of Colorado's telephone companies are members. The Western Alliance has appropriately highlighted three pivotal issues for incumbent rural carriers:

a. Content of rules concerning resale of local exchange carrier services

b. Terms and conditions of reciprocal compensation provided for termination of services furnished competitors

c. Possible adoption of federal guidelines for use in implementing the rural exemption.

We strongly endorse these comments as well.

Respectfully Submitted,

Norman D. Rasmussen
Executive Vice President
Colorado Independent Telephone Association
3236 Hiwan Drive
Evergreen, Colorado 80439